

NEW LONDON COMMUNITY SCHOOL DISTRICT
NEW LONDON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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NEW LONDON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2005 Election)		
Laurie Hempen	President	2007
Rhonda Mixon	Vice President	2005
Kelly Kadel	Board Member	2006
Bob McPheron	Board Member	2006
Virginia Ekstrand	Board Member	2007
<u>Board of Education</u>		
(After September 2005 Election)		
Laurie Hempen	President	2007
Bob McPheron	Vice President	2006
Kelly Kadel	Board Member	2006
Virginia Ekstrand	Board Member	2007
Joel Protsman	Board Member	2008
<u>School Officials</u>		
Robert L. Cardoni	Superintendent	2006
Nancy Blow	District Secretary/Treasurer	2006
Richard J. Gaumer	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
New London Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2006 on our consideration of New London Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New London Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
August 15, 2006

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the New London Community School District's annual financial report presents its discussion and analysis of the district's financial performance during the fiscal year ending June 30, 2006. Please read it in conjunction with the district's financial statements, which immediately follow this section.

Financial Highlights

- District revenues totaled \$5,102,019, a 14.1% increase from the prior year.
- District expenditures totaled \$4,968,458, a 3.6% increase from the prior year.
- Overall revenue exceeded expenditures by \$133,561.
- A major plumbing renovation was completed in the High School/Middle School building.
- Phase one of a two phase electrical upgrade was completed in the High School/Middle School. This upgrade was made possible by the one cent local option sales tax.
- To accommodate the large number of second graders, the District added a third section.
- The District was awarded a \$25,000 Fire Safety Grant to install fire alarm systems in the North Campus building and the Special Ed building and to install new doors in the Middle School

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-and long-term financial information about the activities the District operates like businesses such as food service.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

The chart below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements

The District-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.
- In the District-wide financial statements, the District's activities are divided into two categories:
- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities.
- **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Government-wide Financial Analysis

Figure A-2 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-2							
Condensed Statement of Net Assets (in thousands of dollars)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Current and other assets	\$3,069	\$2,506	\$18	\$12	\$3,087	\$2,518	22.60%
Capital assets	\$1,208	\$1,087	\$16	\$18	\$1,224	\$1,105	10.80%
Total Assets	\$4,277	\$3,593	\$34	\$30	\$4,311	\$3,623	19.00%
Long-term liabilities	\$7	\$17			\$7	\$17	-58.80%
Other liabilities	\$1,975	\$1,410	\$6	\$7	\$1,981	\$1,417	39.80%
Total Liabilities	\$1,982	\$1,427	\$6	\$7	\$1,988	\$1,434	38.60%
Net assets							
Invested in capital assets, net of related debt	\$1,208	\$1,087	\$16	\$18	\$1,224	\$1,105	10.80%
Restricted	\$716	\$447			\$716	\$447	60.20%
Unrestricted	\$370	\$632	\$12	\$5	\$382	\$637	-40.00%
Total net assets	\$2,294	\$2,166	\$28	\$23	\$2,322	\$2,189	6.10%

Figure A-3 shows a summary of the change in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3							
Changes in Net Assets (in thousands of dollars)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2004-2005</u>
Revenues							
Program revenues							
Charges for services	\$415	\$360	\$79	\$78	\$494	\$438	12.70%
Operating Grants & Contributions	\$488	\$512	\$87	\$83	\$575	\$595	-3.40%
Capital Grants & Contributions				\$12		\$12	
General revenues							
Property taxes	\$1,131	\$1,160			\$1,131	\$1,160	-2.50%
Income Surtax	\$167	\$156			\$167	\$156	7.00%
Local Option Sales & Service Tax	\$303	\$18			\$303	\$18	158.30%
Unrestricted State Grants	\$2,347	\$2,050			\$2,347	\$2,050	14.50%
Unrestricted Investment Earnings	\$41	\$25		\$1	\$41	\$26	57.70%
Other	\$43	\$15			\$43	\$15	186.70%
Total Revenues	\$4,935	\$4,296	\$166	\$174	\$5,101	\$4,470	14.10%
Expenses							
Instruction	\$3,300	\$3,125	-	-	\$3,300	\$3,125	5.60%
Support Services	\$1,294	\$1,303	-	-	\$1,294	\$1,303	-.70%
Non-instructional			\$161	\$161	\$161	\$161	0.00%
Other expenses	\$213	208	-	-	\$213	\$208	2.40%
Total Expenses	\$4,807	\$4,636	\$161	\$161	\$4,968	\$4,797	8.40%
Change in Net Assets	\$128	(\$340)	\$5	\$13	\$133	(\$327)	

Financial Analysis of the District as a Whole

The District's total revenues increased 14.1% largely due to increased School Infrastructure Local Option tax receipts. Local taxes contribute 31% of the District's revenue, 10% comes from charges for service, 12% from grants, contributions and interest and 47% from other general revenues including state foundation aid.

The District's expenses are predominantly related to providing instruction and care for students. 66% was expended for instruction, 10% for administration, 9% for operation and maintenance, 4% for student support services, 4% for transportation, 3% for the Area Education Agency, 3% for the hot lunch program and 1% miscellaneous. The cost of all programs and services rose 8.4%. Significant contributing factors were higher costs for salaries and benefits, increased building utility costs, increased fuel costs and increased property casualty insurance costs.

Governmental Activities

The governmental activities net assets increased due to the first full year of the one cent local option sales tax collection. The cost of all governmental activities this year was \$4.8 million. \$414,877 of the cost was financed by the users of District programs. \$488,490 was financed by grants and contributions. The majority of governmental activities was financed by local taxes (including property tax, income surtax, local option sales tax) and state and federal contributions (\$3,989,198).

Business-Type Activities

The Food and Nutrition Fund is the only fund categorized as a business-type activity. Meal prices were increased across the board ten cents. Revenues decreased 4.6%. Expenses did not significantly change. The number of students eligible for free and reduced meals has remained constant at 36%.

Financial Analysis of the District's Funds

- The District has been able to maintain a positive financial solvency because of the support of all staff in keeping expenses to a minimum whenever possible. Staff also look for alternative ways to finance new or special projects through grants or fund raising. Public support through tax levies has allowed the District to keep facilities safe and adequate. The District has been able to weather declining enrollment and increases in expenses without cutting programs. Physical Plant and Equipment and Capital Projects Fund balances have been used for plumbing repairs, phase one of an electrical upgrade, window replacements and tuck pointing. The District is completing these projects as funds are available without borrowing funds to finance them.
- The General Fund balance decreased \$281,901 due to increases in operating costs for salaries, benefits, insurance, utilities, and maintenance.
- The Physical Plant and Equipment Levy Fund decreased \$95,608 because the district is progressing towards and completing the above mentioned projects.
- The Capital Projects Fund balance increased \$309,715 with the first full year of local option sales tax collections.
- The Public Education and Recreation Levy Fund balance increased \$32,715 because of a major fund raising effort to replace the auditorium seating.

Capital Asset and Debt Administration

Capital Assets

By the end of 2006 the District had invested \$3,552,368 in a broad range of capital assets including land, buildings, transportation equipment and technology equipment. This amount represents a net increase of 6.7% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$103,546

Long-Term Debt

The District's only long term liability is for accumulated unused vacation in the amount of \$6,944. More detailed information can be found in Note 5 to the Financial Statements.

Budgetary Highlights

Over the course of the year, the district did not amend its budget, and no functional areas were exceeded at year end.

Factors Bearing on the District' Future

- The New London Community School District will be able to meet fire code regulations and continue upgrading mechanical systems, predominately plumbing and electrical, in all buildings with the Fire Safety Grant and the Local Option Sales Tax.
- Future enrollment stability is a critical element in maintaining a sound financial position. Industry in the school district area continues to decline. This causes enrollment to fluctuate. State and federal mandates continue to increase. The District may have to look at increasing the cash reserve levy to fund existing programs and meet the needs for more rigorous academic instruction.
- The future of the District is hard to predict. In order to be prepared to best serve our students, the New London Community School will look for means to continually improve academic instruction for students and professional development for staff using available funds, finding new funding streams and sharing services with other districts.

Contacting the District's Financial Management

This financial report is designed to provide the district's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 106 Jack Wilson Drive, New London, IA 52645.

Basic Financial Statements

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 1,230,494	\$ 15,750	\$ 1,246,244
Receivables:			
Property tax:			
Current year	21,930	-	21,930
Succeeding year	1,004,436	-	1,004,436
Income surtax	158,168	-	158,168
Accounts	3,823	-	3,823
Due from other governments	92,731	617	93,348
Inventories	-	1,431	1,431
Restricted ISCAP assets (note 3):			
Investments	557,224	-	557,224
Accrued interest receivable	173	-	173
Capital assets, net of accumulated depreciation (note 4)	1,207,766	15,966	1,223,732
 Total assets	 4,276,745	 33,764	 4,310,509
<u>Liabilities</u>			
Accounts payable	20,700	-	20,700
Salaries and benefits payable	387,595	6,179	393,774
ISCAP warrants payable (note 3)	558,000	-	558,000
ISCAP accrued interest payable (note 3)	138	-	138
ISCAP unamortized premium (note 3)	4,246	-	4,246
Deferred revenue:			
Succeeding year property tax	1,004,436	-	1,004,436
Long-term liabilities (note 5):			
Portion due within one year:			
Compensated absences	6,944	-	6,944
 Total liabilities	 1,982,059	 6,179	 1,988,238

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets	\$ 1,207,766	\$ 15,966	\$ 1,223,732
Restricted for:			
Management levy	36,745	-	36,745
Public education and recreation levy	76,405	-	76,405
Physical plant and equipment levy	126,812	-	126,812
Other special revenue purposes	72,511	-	72,511
Capital projects	403,940	-	403,940
Unrestricted	370,507	11,619	382,126
Total net assets	\$ 2,294,686	\$ 27,585	\$ 2,322,271

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,263,657	\$ 152,304	\$ 217,434	\$ -
Special instruction	483,433	60,441	76,069	-
Other instruction	553,280	131,815	30,152	-
	<u>3,300,370</u>	<u>344,560</u>	<u>323,655</u>	<u>-</u>
Support services:				
Student services	100,069	-	-	-
Instructional staff services	70,909	-	-	-
Administration services	482,463	-	-	-
Operation and maintenance of plant services	425,786	250	-	-
Transportation services	214,693	70,067	-	-
	<u>1,293,920</u>	<u>70,317</u>	<u>-</u>	<u>-</u>
Other expenditures:				
AEA flowthrough	164,835	-	164,835	-
Depreciation (unallocated) *	48,183	-	-	-
	<u>213,018</u>	<u>-</u>	<u>164,835</u>	<u>-</u>
Total governmental activities	4,807,308	414,877	488,490	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	161,150	79,165	86,937	-
Total	\$ 4,968,458	\$ 494,042	\$ 575,427	\$ -

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,893,919)	\$ -	\$ (1,893,919)
(346,923)	-	(346,923)
(391,313)	-	(391,313)
(2,632,155)	-	(2,632,155)
(100,069)	-	(100,069)
(70,909)	-	(70,909)
(482,463)	-	(482,463)
(425,536)	-	(425,536)
(144,626)	-	(144,626)
(1,223,603)	-	(1,223,603)
-	-	-
(48,183)	-	(48,183)
(48,183)	-	(48,183)
(3,903,941)	-	(3,903,941)
-	4,952	4,952
(3,903,941)	4,952	(3,898,989)

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Public education and recreation

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 1,079,754	\$ -	\$ 1,079,754
9,910	-	9,910
40,946	-	40,946
167,190	-	167,190
303,499	-	303,499
2,347,078	-	2,347,078
40,821	2	40,823
43,350	-	43,350
4,032,548	2	4,032,550
128,607	4,954	133,561
2,166,079	22,631	2,188,710
<u>\$ 2,294,686</u>	<u>\$ 27,585</u>	<u>\$ 2,322,271</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 515,641	\$ 376,539	\$ 275,352	\$ 1,167,532
Receivables:				
Property tax:				
Current year	19,396	-	2,534	21,930
Succeeding year	892,707	-	111,729	1,004,436
Income surtax	123,020	-	35,148	158,168
Accounts	3,663	-	160	3,823
Due from other governments	65,330	27,401	-	92,731
Restricted ISCAP assets (note 3):				
Investments	557,224	-	-	557,224
Accrued interest receivable	173	-	-	173
Total assets	<u>\$ 2,177,154</u>	<u>\$ 403,940</u>	<u>\$ 424,923</u>	<u>\$ 3,006,017</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 19,979	\$ -	\$ 721	\$ 20,700
Salaries and benefits payable	387,595	-	-	387,595
ISCAP warrants payable (note 3)	558,000	-	-	558,000
ISCAP accrued interest payable (note 3)	138	-	-	138
ISCAP unamortized premium (note 3)	4,246	-	-	4,246
Deferred revenue:				
Succeeding year property tax	892,707	-	111,729	1,004,436
Other	123,020	-	35,148	158,168
Total liabilities	<u>1,985,685</u>	<u>-</u>	<u>147,598</u>	<u>2,133,283</u>
Fund balance:				
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	277,325	277,325
Undesignated	191,469	403,940	-	595,409
Total fund balances	<u>191,469</u>	<u>403,940</u>	<u>277,325</u>	<u>872,734</u>
Total liabilities and fund balances	<u>\$ 2,177,154</u>	<u>\$ 403,940</u>	<u>\$ 424,923</u>	<u>\$ 3,006,017</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2006

Total fund balances of governmental funds	\$ 872,734
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,207,766
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	158,168
The Internal Service Fund is used to charge the costs of the District's Section 125 benefits plan to the governmental funds. The net assets of the Internal Service Fund are therefore included in governmental activities.	62,962
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,944)</u>
Net assets of governmental activities	<u>\$ 2,294,686</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,122,034	\$ 303,499	\$ 165,785	\$ 1,591,318
Tuition	192,869	-	-	192,869
Other	138,736	6,216	161,227	306,179
State sources	2,711,976	-	170	2,712,146
Federal sources	124,892	-	-	124,892
Total revenues	<u>4,290,507</u>	<u>309,715</u>	<u>327,182</u>	<u>4,927,404</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,244,657	-	30,000	2,274,657
Special instruction	483,832	-	-	483,832
Other instruction	415,657	-	124,438	540,095
	<u>3,144,146</u>	<u>-</u>	<u>154,438</u>	<u>3,298,584</u>
Support services:				
Student services	97,041	-	-	97,041
Instructional staff services	72,122	-	-	72,122
Administration services	450,600	-	36,901	487,501
Operation and maintenance of plant services	457,882	-	-	457,882
Transportation services	185,782	-	-	185,782
	<u>1,263,427</u>	<u>-</u>	<u>36,901</u>	<u>1,300,328</u>
Other expenditures:				
Facilities acquisition	-	-	178,013	178,013
AEA flowthrough	164,835	-	-	164,835
	<u>164,835</u>	<u>-</u>	<u>178,013</u>	<u>342,848</u>
Total expenditures	<u>4,572,408</u>	<u>-</u>	<u>369,352</u>	<u>4,941,760</u>
Excess (deficiency) of revenues over (under) expenditures	(281,901)	309,715	(42,170)	(14,356)
Fund balances beginning of year	<u>473,370</u>	<u>94,225</u>	<u>319,495</u>	<u>887,090</u>
Fund balances end of year	<u>\$ 191,469</u>	<u>\$ 403,940</u>	<u>\$ 277,325</u>	<u>\$ 872,734</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (14,356)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 222,350	
Depreciation expense	<u>(101,286)</u>	121,064

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 8,511

The change in net assets of the Internal Service Fund represents an overcharge to the governmental funds served. The expenses in the Statement of Activities are adjusted to reflect this amount. 3,331

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 10,057

Change in net assets of governmental activities \$ 128,607

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2006

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 15,750	\$ 62,962
Due from other governments	617	-
Inventories	1,431	-
Capital assets, net of accumulated depreciation	<u>15,966</u>	<u>-</u>
Total assets	<u>33,764</u>	<u>62,962</u>
Liabilities		
Salaries and benefits payable	<u>6,179</u>	<u>-</u>
Net Assets		
Invested in capital assets	15,966	-
Unrestricted	<u>11,619</u>	<u>62,962</u>
Total net assets	<u>\$ 27,585</u>	<u>\$ 62,962</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 79,165	\$ 452,051
Operating expenses:		
Non-instructional programs:		
Non-instructional operations:		
Salaries	48,215	-
Benefits	6,288	-
Supplies	104,387	-
Depreciation	2,260	-
Other	-	448,720
	<u>161,150</u>	<u>448,720</u>
Operating income (loss)	<u>(81,985)</u>	<u>3,331</u>
Non-operating revenues:		
Interest on investments	2	-
State sources	2,372	-
Federal sources	84,565	-
Total non-operating revenues	<u>86,939</u>	<u>-</u>
Change in net assets	4,954	3,331
Net assets beginning of year	<u>22,631</u>	<u>59,631</u>
Net assets end of year	<u>\$ 27,585</u>	<u>\$ 62,962</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 78,540	\$ -
Cash received from miscellaneous operating activities	625	452,051
Cash payments to employees for services	(55,933)	-
Cash payments to suppliers for goods or services	(97,824)	(448,720)
Net cash provided by (used by) operating activities	<u>(74,592)</u>	<u>3,331</u>
Cash flows from non-capital financing activities:		
State grants received	2,372	-
Federal grants received	77,512	-
Net cash provided by non-capital financing activities	<u>79,884</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>2</u>	<u>-</u>
Net increase in cash and cash equivalents	5,294	3,331
Cash and cash equivalents beginning of year	<u>10,456</u>	<u>59,631</u>
Cash and cash equivalents end of year	<u>\$ 15,750</u>	<u>\$ 62,962</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (81,985)	\$ 3,331
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	2,260	-
Commodities used	6,436	-
Decrease in inventories	127	-
(Decrease) in salaries and benefits payable	<u>(1,430)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>\$ (74,592)</u>	<u>\$ 3,331</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$6,436 of federal commodities.

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2006

	Private Purpose Trust	Scholarship
Assets:		
Cash and pooled investments	\$ 47,389	
Accrued interest receivable	<u>431</u>	
Total assets		<u>47,820</u>
Liabilities:		
None		<u>-</u>
Net assets:		
Reserved for scholarships	\$ <u>47,820</u>	

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2006

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 2,425	
Interest	<u>1,491</u>	
Total additions	<u>3,916</u>	
Deductions:		
Instruction:		
Scholarships awarded		3,000
Support services:		
Supplies		<u>2,036</u>
Total deductions		<u>5,036</u>
Change in net assets		(1,120)
Net assets beginning of year		<u>48,940</u>
Net assets end of year		<u>\$ 47,820</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

New London Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New London, Iowa, and the agricultural territory in Henry and Des Moines Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, New London Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. New London Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Henry County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service, Section 125 Benefits Fund is used to account for the Section 125 benefits program offered by the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2006 will not be received by the District until several months after year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	1,000
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 2. Cash and Pooled Investments (continued)

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>1,028,270</u></u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2006-07A	6/28/2006	6/28/2007	\$ <u><u>557,224</u></u>	\$ <u><u>173</u></u>	\$ <u><u>558,000</u></u>	\$ <u><u>138</u></u>	\$ <u><u>4,246</u></u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2006.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 3. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.500%	5.676%

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 47,701	\$ -	\$ -	\$ 47,701
Construction in progress	29,455	178,013	29,455	178,013
Total capital assets not being depreciated	<u>77,156</u>	<u>178,013</u>	<u>29,455</u>	<u>225,714</u>
Capital assets being depreciated:				
Buildings	2,112,573	29,455	-	2,142,028
Improvements other than buildings	193,384	31,583	-	224,967
Furniture and equipment	849,555	12,754	-	862,309
Total capital assets being depreciated	<u>3,155,512</u>	<u>73,792</u>	<u>-</u>	<u>3,229,304</u>
Less accumulated depreciation for:				
Buildings	1,411,541	34,668	-	1,446,209
Improvements other than buildings	192,844	1,714	-	194,558
Furniture and equipment	541,581	64,904	-	606,485
Total accumulated depreciation	<u>2,145,966</u>	<u>101,286</u>	<u>-</u>	<u>2,247,252</u>
Total capital assets being depreciated, net	<u>1,009,546</u>	<u>(27,494)</u>	<u>-</u>	<u>982,052</u>
Governmental activities capital assets, net	<u>\$ 1,086,702</u>	<u>\$ 150,519</u>	<u>\$ 29,455</u>	<u>\$ 1,207,766</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 97,350	\$ -	\$ -	\$ 97,350
Less accumulated depreciation	79,124	2,260	-	81,384
Business-type activities capital assets, net	<u>\$ 18,226</u>	<u>\$ (2,260)</u>	<u>\$ -</u>	<u>\$ 15,966</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

 Regular

\$ 16,595

 Other

2,581

Support services:

 Administration

4,125

 Operation and maintenance of plant services

2,527

 Transportation

27,275

53,103

Unallocated depreciation

48,183

Total governmental activities depreciation expense

\$ 101,286

Business-type activities:

 Food service operations

\$ 2,260

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	<u>Compensated Absences</u>
Balance beginning of year	\$ 17,001
Additions	6,944
Reductions	<u>17,001</u>
Balance end of year	<u>\$ 6,944</u>
Due within one year	<u>\$ 6,944</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of service to the District and be eligible to receive IPERS retirement benefits. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is equal to \$15,000. Early retirement benefits are paid in June of the year of retirement.

At June 30, 2006, the District has no early retirement obligations. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$30,000.

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$155,896, \$143,400, and \$137,645 respectively, equal to the required contributions for each year.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 7. Risk Management

New London Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$164,835 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Construction Commitments

The District entered into contracts totaling \$629,599 for various building improvements. As of June 30, 2006, costs of \$178,013 had been incurred against the contracts. The balance of \$451,586 remaining at June 30, 2006 will be paid as work on the projects progresses.

Required Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2006

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 2,073,611	\$ 79,167	\$ 2,152,778	\$ 1,760,810	\$ 391,968
State sources	2,712,146	2,372	2,714,518	2,898,124	(183,606)
Federal sources	112,507	83,948	196,455	215,000	(18,545)
Total receipts	4,898,264	165,487	5,063,751	4,873,934	189,817
DISBURSEMENTS:					
Instruction	3,262,031	-	3,262,031	3,452,476	190,445
Support services	1,317,280	-	1,317,280	1,406,489	89,209
Non-instructional programs	-	160,193	160,193	165,890	5,697
Other expenditures	342,848	-	342,848	617,429	274,581
Total disbursements	4,922,159	160,193	5,082,352	5,642,284	559,932
Excess (deficiency) of receipts over (under) disbursements	(23,895)	5,294	(18,601)	(768,350)	749,749
Balance beginning of year	1,191,427	10,456	1,201,883	848,473	353,410
Balance end of year	\$ 1,167,532	\$ 15,750	\$ 1,183,282	\$ 80,123	\$ 1,103,159

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 4,898,264	\$ 29,140	\$ 4,927,404
Expenditures	4,922,159	19,601	4,941,760
Net	(23,895)	9,539	(14,356)
Beginning fund balances	1,191,427	(304,337)	887,090
Ending fund balances	<u>\$ 1,167,532</u>	<u>\$ (294,798)</u>	<u>\$ 872,734</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 165,487	\$ 617	\$ 166,104
Expenses	160,193	957	161,150
Net	5,294	(340)	4,954
Beginning net assets	10,456	12,175	22,631
Ending net assets	<u>\$ 15,750</u>	<u>\$ 11,835</u>	<u>\$ 27,585</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Other Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue				
	Management Levy	Student Activity	Public Education and Recreation Levy	Physical Plant and Equipment Levy	Total
Assets					
Cash and pooled investments	\$ 35,189	\$ 73,072	\$ 76,212	\$ 90,879	\$ 275,352
Receivables:					
Property tax:					
Current year	1,556	-	193	785	2,534
Succeeding year	68,137	-	8,665	34,927	111,729
Income surtax	-	-	-	35,148	35,148
Accounts	-	160	-	-	160
Total assets	<u>\$ 104,882</u>	<u>\$ 73,232</u>	<u>\$ 85,070</u>	<u>\$ 161,739</u>	<u>\$ 424,923</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 721	\$ -	\$ -	\$ 721
Deferred revenue:					
Succeeding year property tax	68,137	-	8,665	34,927	111,729
Other	-	-	-	35,148	35,148
Total liabilities	<u>68,137</u>	<u>721</u>	<u>8,665</u>	<u>70,075</u>	<u>147,598</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>36,745</u>	<u>72,511</u>	<u>76,405</u>	<u>91,664</u>	<u>277,325</u>
Total liabilities and fund equity	<u>\$ 104,882</u>	<u>\$ 73,232</u>	<u>\$ 85,070</u>	<u>\$ 161,739</u>	<u>\$ 424,923</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	Special Revenue				Total
	Management Levy	Student Activity	Public Education and Recreation Levy	Physical Plant and Equipment Levy	
Revenues:					
Local sources:					
Local tax	\$ 80,086	\$ -	\$ 9,897	\$ 75,802	\$ 165,785
Other	835	131,037	22,805	6,550	161,227
State sources	104	-	13	53	170
Total revenues	<u>81,025</u>	<u>131,037</u>	<u>32,715</u>	<u>82,405</u>	<u>327,182</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	30,000	-	-	-	30,000
Other instruction	-	124,438	-	-	124,438
Support services:					
Administration services	36,901	-	-	-	36,901
Other expenditures:					
Facilities acquisition	-	-	-	178,013	178,013
Total expenditures	<u>66,901</u>	<u>124,438</u>	<u>-</u>	<u>178,013</u>	<u>369,352</u>
Excess (deficiency) of revenues over (under) expenditures	14,124	6,599	32,715	(95,608)	(42,170)
Fund balances beginning of year	<u>22,621</u>	<u>65,912</u>	<u>43,690</u>	<u>187,272</u>	<u>319,495</u>
Fund balances end of year	<u>\$ 36,745</u>	<u>\$ 72,511</u>	<u>\$ 76,405</u>	<u>\$ 91,664</u>	<u>\$ 277,325</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 2,979	\$ 49,982	\$ 49,831	\$ 3,130
Class of:				
2006	272	413	-	685
2007	572	7,118	6,910	780
2008	627	221	160	688
2009	434	175	-	609
2010	285	157	-	442
2012	-	217	-	217
Masqued Tigers	2,688	411	218	2,881
Future Homemakers of America	315	-	-	315
Foreign Language Club	82	-	-	82
Instrumental Music	81	3,651	3,459	273
Student Council	2,958	6,230	4,721	4,467
Elementary Student Advisory Council	7,303	2,452	2,385	7,370
Yearbook	7,805	7,510	7,133	8,182
Middle School Enrichment	1,368	-	-	1,368
Middle School Student Council	1,604	2,298	2,385	1,517
Middle School Cheerleaders	239	-	-	239
High School Cheerleaders	1,176	2,685	2,736	1,125
Music and Drama	3,607	7,441	6,479	4,569
Vocal Music:				
High School	33	70	-	103
Middle School	62	-	-	62
New London Tigerettes	5,496	4,378	6,000	3,874
Interest on Investments	5,090	2,034	3,150	3,974
Boys Basketball	1,794	5,609	6,264	1,139
Sixth Grade Projects	1,958	2,764	1,437	3,285
Playground	772	262	-	1,034
Middle School Volleyball	344	725	604	465
Tiger Football	430	3,084	2,176	1,338
Tiger Wrestling	259	2,877	2,789	347
Tiger Girls Basketball	4,045	8,043	5,038	7,050
Burkhart Girls Basketball	1,750	-	779	971
Tiger Volleyball	1,397	7,452	7,653	1,196
Tiger Softball	2,666	1,107	491	3,282
Tiger Baseball	777	1,097	1,365	509
Boys Baseball	1,424	800	1,108	1,116
Boys Track	440	1,864	1,498	806

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
SADD Club	\$ 250	\$ -	\$ -	\$ 250
Dragon Boat	159	-	-	159
Entrepreneurship Club	152	-	-	152
High School Boys Golf	1,029	416	89	1,356
Middle School Softball	323	20	-	343
High School Girls Golf	867	474	580	761
Intrafund transfers	-	(3,000)	(3,000)	-
Total	\$ 65,912	\$ 131,037	\$ 124,438	\$ 72,511

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 1,591,318	\$ 1,327,471	\$ 1,284,568	\$ 1,239,678
Tuition	192,869	197,809	189,267	134,841
Other	306,179	201,871	316,887	225,273
Intermediate sources	-	-	1,000	-
State sources	2,712,146	2,369,276	2,434,920	2,371,829
Federal sources	124,892	194,018	148,240	142,449
Total revenues	<u>\$ 4,927,404</u>	<u>\$ 4,290,445</u>	<u>\$ 4,374,882</u>	<u>\$ 4,114,070</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,274,657	\$ 2,253,356	\$ 2,257,220	\$ 2,079,387
Special instruction	483,832	426,273	363,029	385,140
Other instruction	540,095	460,035	371,877	342,661
Support services:				
Student services	97,041	85,562	179,391	168,702
Instructional staff services	72,122	173,748	28,422	25,753
Administration services	487,501	466,970	478,047	446,886
Operation and maintenance of plant services	457,882	394,744	343,117	273,049
Transportation services	185,782	239,801	190,876	127,338
Other expenditures:				
Facilities acquisition	178,013	3,662	43,585	95,798
Long-term debt:				
Principal	-	-	7,652	7,213
Interest and fiscal charges	-	-	346	785
AEA flowthrough	164,835	154,091	156,856	160,761
Total expenditures	<u>\$ 4,941,760</u>	<u>\$ 4,658,242</u>	<u>\$ 4,420,418</u>	<u>\$ 4,113,473</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
New London Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of New London Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 15, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New London Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 and I-B-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New London Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about New London Community School District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of New London Community School District and other parties to whom New London Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of New London Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
August 15, 2006

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual handles most of the duties involved in the receipts, disbursements and payroll functions.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternatives and implement where possible.

Conclusion – Response accepted.

I-B-06 Bank Reconciliations – We noted that bank reconciliations are prepared but are not reconciled to the general ledger. This leads to unrecorded transactions and errors remaining undetected. We noted \$737 of unrecorded revenue, a \$1,560 difference on the deposits in transit, and incorrect balances used. Adjusting journal entries have been made to correct these items.

Recommendation – All bank accounts should be reconciled each month and tied to the general ledger. This allows the District to timely detect errors or omissions.

Response – Bank reconciliations will be tied to the general ledger in the future.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

- II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006, did not exceed the amounts budgeted.
- II-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

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